

**Statement of Information Concerning Practices of
Multistate Tax Commission and Signatory States
Under Public Law 86-272**

*Originally adopted by the Multistate Tax Commission on July 11, 1986
Revised version adopted by the MTC Executive Committee on January 22, 1993
Second revision adopted by the Multistate Tax Commission on July 29, 1994
Third revision adopted by the Multistate Tax Commission on July 27, 2001
Fourth revision adopted by the Multistate Tax Commission on [, 20]*

Table of Contents

Introduction	2
Article I Nature of Property Sold	3
Article II Solicitation of Orders and Activities Ancillary to Solicitation	3
Article III De Minimis Activities	4
Article IV Specific Listing of Unprotected and Protected Activities	4
Section A -- Unprotected Activities	
Section B -- Protected Activities	
Section C -- Activities Conducted via the Internet	
Article V Independent Contractors	10
Article VI Application of Destination State Law in Case of Conflict	11
Article VII Miscellaneous Practices	12
Section A -- Application of Statement to Foreign Commerce	
Section B -- Application to Corporation Incorporated in State or to Person Resident or Domiciled in State	
Section C -- Registration or Qualification to Do Business	
Section D -- Loss of Protection for Conducting Unprotected Activity during Part of Year	

Addendum I—P.L. 86-272 13

Addendum II—MTC Factor Presence Nexus Standard for Business Activity Taxes15

INTRODUCTION

In this Statement, “Supporting State” means a State that adopts or otherwise indicates support for this Statement by legislation, regulation or other administrative action.

This Statement addresses the application of Public Law 86-272, 15 U.S.C. §§381-384 (which is set forth in Appendix I). P.L. 86-272, which Congress adopted in 1959, prohibits a state from imposing a net income tax on the income of a person derived within the state from interstate commerce if the only business activities within the state conducted by or on behalf of the person consist of the solicitation of orders for sales of tangible personal property, provided that the orders are sent outside the state for acceptance or rejection, and, if accepted, are filled by shipment or delivery from a point outside the state.

As the Supreme Court has expressed, the precise meaning of P.L. 86-272’s language is “somewhat less than entirely clear.” *Wisconsin Department of Revenue v. William Wrigley, Jr., Co.*, 505 U.S. 214, 223 (1992). Moreover, in the decades since the statute was enacted, the way in which interstate business is conducted has changed significantly. Congress, however, has neither created a federal mechanism to provide administrative guidance to taxpayers nor has it updated the statute to indicate how it applies to new business activities. The contents of this Statement are intended to serve as general guidance to taxpayers and to provide notice as to how Supporting States will apply the statute. Article IV.C of this Statement indicates that certain business activities conducted via the Internet are protected by P.L. 86-272; the Supporting States recognize, however, that an alternative interpretation indicating that these activities are unprotected would not be unreasonable.

This Statement is guided by the principle that no sovereign authority of states to impose tax will be preempted unless it is the “clear and manifest purpose of Congress” to do so. *See Department of Revenue of Oregon v. ACF Industries, Inc.*, 510 U.S. 332 (1994); *Cipollone v. Liggett Group, Inc.*, 505 U.S. 504 (1992); *Heublein, Inc. v. South Carolina Tax Com.*, 409 U.S. 275, 281-282 (1972).

It is notable that while P.L. 86-272 does not explain when a seller’s activities are “within” a state, it is the Supreme Court’s long-accepted view that activities directed at customers in a state are sufficient contact to give rise to jurisdiction. *See Quill Corp. v. North Dakota*, 504 U.S. 298, 308 (1992). It is also relevant that Congress considered multiple alternative proposals before enacting P.L. 86-272. Two of those proposals, Sen. Res. 113 and H.J.Res. 450, would have explicitly required a seller to have a physical presence in the taxing state (*i.e.*, a stock of goods, an office, warehouse, or other place of business or an officer, agent, or representative who has maintained an office or other place of business) in order to subject that seller to tax. These proposals ultimately were rejected by Congress. Finally, although the Supreme Court did not interpret P.L. 86-272 in *South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080 (2018), the Supporting

States consider the Court’s analysis in that opinion to be relevant to the question of whether a seller is engaged in business activities in states where its customers are located for purposes of the statute.

This Statement does not attempt to take into account limitations on the application of business income taxes other than P.L. 86-272, including those limitations that may be provided under state law. For example, the Multistate Tax Commission has adopted a model factor presence nexus statute and recommends that states adopt that statute to shield from taxation small businesses or businesses that have minimal contacts with the state. *See* Factor Presence Nexus Standard for Business Activity Taxes, adopted by the Multistate Tax Commission on October 12, 2002 (which is set forth in Appendix II).

Finally, application of P.L. 86-272 under this Statement affects the determination of whether a state into which tangible personal property is delivered (the “destination state”) may tax the income of the seller, but it also affects the determination of whether the state from which tangible personal property is shipped (the “origin state”) may subject the related receipts to that state’s throwback rule. It is the intent of the Supporting States to apply this Statement uniformly, irrespective of whether the state is determining its ability to tax the income of the seller as the destination state, or whether it is to determine if the state, as the origin state, may properly subject the related receipts to its throwback rule.

I

NATURE OF PROPERTY BEING SOLD

Only the solicitation to sell tangible personal property is afforded immunity under P.L. 86-272; therefore, the leasing, renting, licensing or other disposition of tangible personal property, or transactions involving intangibles property, such as franchises, patents, copyrights, trademarks, service marks and the like, or any other type of property are not protected activities under P.L. 86-272.

The sale or delivery and the solicitation for the sale or delivery of any type of service that is not either (1) entirely ancillary to solicitation or (2) otherwise set forth as a protected activity under Section IV.B is also not protected under P. L. 86-272 or this Statement.

II

SOLICITATION OF ORDERS AND ACTIVITIES ANCILLARY TO SOLICITATION

For ~~the~~ in-state activity to be a protected activity under P.L. 86-272, it must be limited solely to *solicitation* (except for *de minimis* activities described in Article III- and those activities conducted by independent contractors described in Article V-). Solicitation means (1) speech or conduct that explicitly or implicitly invites an order; and (2) activities that neither explicitly nor implicitly invite an order but are entirely ancillary to requests for an order. *See Wisconsin Department of Revenue v. William Wrigley, Jr., Co.*, 505 U.S. 214 (1992).

Ancillary activities are those activities that serve no independent business function for the seller apart from their connection to the solicitation of orders. Activities that a seller would engage in apart from soliciting orders ~~shall~~ are not ~~be considered~~ as ancillary to the solicitation of orders. The assignment of activities to sales personnel does not, merely by such assignment, make ~~such~~ those activities ancillary to the solicitation of orders. Additionally, activities that seek to promote *sales* are not ancillary, because P.L. 86-272 does not protect activity that facilitates sales; it only protects ancillary activities that facilitate the request for an order.

Activities that are neither solicitation nor ancillary to solicitation, and that are not *de minimis* or otherwise protected by this Statement, are not protected.

III DE MINIMIS ACTIVITIES

De minimis activities are those activities that, when taken together, establish only a trivial connection with the taxing state. An activity conducted within a taxing State on a regular or systematic basis or pursuant to a company policy (whether the policy is in writing or not) ~~shall~~ normally will not be considered trivial. Whether or not an activity consists of a trivial or non-trivial connection with ~~the~~ a state is ~~to be~~ measured on both a qualitative and quantitative basis. If ~~such~~ an activity either qualitatively or quantitatively creates a non-trivial connection with the taxing state, and is otherwise not protected, then ~~such~~ the activity exceeds the protection of P.L. 86-272. Establishing that ~~the disqualifying~~ unprotected activities only account for a relatively small part of the business conducted within the taxing state is not determinative of whether ~~a~~ the activities are *de minimis* ~~level of activity exists~~. The relative economic importance of ~~the disqualifying~~ unprotected in-state activities, as compared to ~~the~~ protected activities, does not determine whether the conduct of the ~~disqualifying~~ unprotected activities within the taxing state is inconsistent with the limited protection afforded by P.L. 86-272.

IV SPECIFIC LISTING OF UNPROTECTED AND PROTECTED ACTIVITIES

The following two listings -- IV.A. and IV.B. -- set forth in-state activities that are presently treated by the ~~signatory's~~ Supporting States as "Unprotected Activities" or "Protected Activities." ~~Such~~ These listings, as well as the contents of IV.C., may be ~~subject to an amendment by addition or deletion that appears on the individual signatory state's Signature Page attached to this Statement. [Note: a list of states that have adopted this Statement, together with a compilation of such additions and deletions, is available from the MTC]~~ amended by each Supporting State.

Each Supporting State may choose, in its discretion, to treat any in-state activity as protected, even if P.L. 86-272 does not require protection, provided that the state would treat such activity consistently for purposes of imposing tax and applying the state's throwback rule. ~~The signatory state has included on the list of "Protected Activities" those in-state activities that are either required protection under P.L. 86-272; or, if not so required, that the signatory state, in its discretion, has permitted protection.~~ The mere inclusion of an activity on the listing of "Protected

Activities" by a state, therefore, is not a statement or admission by the signatory that state that said the activity is required any protection under the Public Law.

A. UNPROTECTED ACTIVITIES:

The following in-state activities (assuming they are not of a *de minimis* level) are not considered as either solicitation of orders, or entirely ancillary thereto, or otherwise protected under P.L. 86-272:

1. Making repairs or providing maintenance or service to the property sold or to be sold.
2. Collecting current or delinquent accounts, whether directly or by third parties, through assignment or otherwise.
3. Investigating credit worthiness.
4. Installation or supervision of installation at or after shipment or delivery.
5. Conducting training courses, seminars or lectures for personnel other than personnel involved only in solicitation.
6. Providing any kind of technical assistance or service including, but not limited to, engineering assistance or design service, when one of the purposes thereof is other than the facilitation of the solicitation of orders.
7. Investigating, handling, or otherwise assisting in resolving customer complaints, other than mediating direct customer complaints when the sole purpose of such mediation is to ingratiate the sales personnel with the customer.
8. Approving or accepting orders.
9. Repossessing property.
10. Securing deposits on sales.
11. Picking up or replacing damaged or returned property.
12. Hiring, training, or supervising personnel, other than personnel involved only in solicitation.
13. Using agency stock checks or any other instrument or process by which sales are made by sales personnel.

14. Maintaining a sample or display room in excess of two weeks (14 days) at any one location within the state during the tax year.
15. Carrying samples for sale, exchange or distribution in any manner for consideration or other value.
16. Owning, leasing, using or maintaining any of the following facilities or property in-state:
 - a. Repair shop.
 - b. Parts department.
 - c. Any kind of office other than an in-home office as described as permitted under IV.A.18 and IV.B.2.
 - d. Warehouse.
 - e. Meeting place for directors, officers, or employees.
 - f. Stock of goods other than samples for sales personnel or that are used entirely ancillary to solicitation.
 - g. Telephone answering service that is publicly attributed to the business or to employees or agent(s) of the business in their representative status.
 - h. Mobile stores, *i.e.*, vehicles with drivers who are sales personnel making sales from the vehicles.
 - i. Real property or fixtures to real property of any kind.
17. Consigning stock of goods or other tangible personal property to any person, including an independent contractor, for sale.
18. Maintaining, by any employee or other representative, an office or place of business of any kind (other than an in-home office located within the residence of the employee or representative that (i) is not publicly attributed to the business or to the employee or representative of the company in an employee or representative capacity-, and (ii) so long as the use of such office is limited to soliciting and receiving orders from customers; for transmitting such orders outside the state for acceptance or rejection by the business; or for such other activities that are protected under ~~Public Law~~ P.L. 86-272 or under IV.B-).

A telephone listing or other public listing within the state for the business or for an employee or representative of the business in such capacity or other indications through advertising or business literature that the business or its employee or representative can be contacted at a specific address within the state ~~shall~~ normally will be determined as the business maintaining within this state an office or place of business attributable to the business or to its employee or representative in a representative capacity. However, the normal distribution and use of business cards and stationery identifying the employee's or representative's name, street address, email address, telephone and fax numbers and affiliation with the business shall not, by itself, be considered as advertising or otherwise publicly attributing an office to the business or its employee or representative.

The maintenance of any office or other place of business in the state that does not strictly qualify as an "in-home" office as described above ~~shall~~ will, by itself, cause the loss of protection under this Statement.

For the purpose of this subsection it is not relevant whether the business pays directly, indirectly, or not at all for the cost of maintaining ~~such~~ an in-home office.

19. Entering into franchising or licensing agreements; selling or otherwise disposing of franchises and licenses; or selling or otherwise transferring tangible personal property pursuant to such franchise or license by the franchisor or licensor to its franchisee or licensee within the state.
20. Activities performed by an employee who telecommutes on a regular basis from within the state unless the activities constitute the solicitation of orders for tangible personal property or are entirely ancillary to such solicitation.
21. Conducting any activity not listed in IV.B- below which is not entirely ancillary to requests for orders, even if ~~such~~ the activity helps to increase purchases.

B. PROTECTED ACTIVITIES:

The following in-state activities are protected:

1. Soliciting orders for sales by any type of advertising.
2. Soliciting of orders by an in-state resident employee or representative of the business, so long as ~~such person~~ the employee or representative does not maintain or use any office or other place of business in the state other than an "in-home" office as described in IV.A.18.
3. Carrying samples and promotional materials only for display or distribution without charge or other consideration.
4. Furnishing and setting up display racks and advising customers on the display of the business's products without charge or other consideration.
5. Providing automobiles to sales personnel for their use in conducting protected activities.
6. Passing orders, inquiries and complaints on to the home office.
7. Missionary sales activities; i.e., the solicitation of indirect customers for the business's goods. For example, a manufacturer's solicitation of retailers to buy the manufacturer's

goods from the manufacturer's wholesale customers ~~would be~~ are protected if these solicitation activities are otherwise immune.

8. Coordinating shipment or delivery without payment or other consideration and providing information relating thereto either prior or subsequent to the placement of an order.
9. Checking of customers' inventories without a charge therefor (for re-order, but not for other purposes such as quality control).
10. Maintaining a sample or display room for two weeks (14 days) or less at any one location within the state during the tax year.
11. Recruiting, training or evaluating sales personnel, including occasionally using homes, hotels or similar places for meetings with sales personnel.
12. Mediating direct customer complaints when the purpose thereof is solely for ingratiating the sales personnel with the customer and facilitating requests for orders.
13. Owning, leasing, using or maintaining personal property for use in the employee or representative's "in-home" office or automobile that is solely limited to the conducting of protected activities. Therefore, the use of personal property such as a cellular telephone, facsimile machine, duplicating equipment, personal computer and computer software that is limited to the carrying on of protected solicitation and activity entirely ancillary to such solicitation or permitted by this Statement under IV.B will not, by itself, remove the protection under this Statement.

C. ACTIVITIES CONDUCTED VIA THE INTERNET:

To determine whether a person that sells tangible personal property via the Internet is shielded from taxation by P.L. 86-272 requires the same analysis as with respect to persons that sell tangible personal property by other means. Thus, an Internet seller is shielded from taxation in the customer's state if the only business activity in which it engages in that state is the solicitation of orders for sales of tangible personal property, which orders are sent outside that state for approval or rejection, and if approved, are shipped from a point outside of that state.

If the activities of such a seller within a state extends beyond solicitation of orders for sales of tangible personal property and is neither entirely ancillary to solicitation nor de minimis, P.L. 86-272 does not shield the seller from taxation by the customer's state.

As a general rule, when a business interacts with a customer via the business's website or app, the business engages in an activity within the customer's state. Presenting static text or photos on a website does not in itself constitute an activity within those states where customers are located.

Following are examples of activities conducted by a business that operates a website offering for sale only items of tangible personal property, unless otherwise indicated. In each case, customer orders are approved or rejected, and the products are shipped from a location outside of the customer's state. The business has no contacts with the customer's state other than what is indicated. [Examples should not be interpreted to mean that other scenarios either are protected or not protected, since every scenario requires a separate assessment of all relevant facts.]

1. The business provides post-sale assistance to in-state customers by posting a list of static FAQs with answers on the business's website. This business activity does not defeat the business's P.L. 86-272 immunity because it does not constitute an activity within the customers' state.

2. The business regularly provides post-sale assistance to in-state customers via either electronic chat or email that customers initiate by clicking on an icon on the business's website. This activity defeats the business's P.L. 86-272 immunity in states where the customers are located because this activity does not constitute, and is not entirely ancillary to, the in-state solicitation of orders for tangible personal property.

3. The business solicits and receives on-line applications for its branded credit cards via the business's website. Issued cards will generate interest income and fees for the business. This in-state business activity defeats the business's P.L. 86-272 immunity in states where the applications for cards are available to customers because it does not constitute, and is not entirely ancillary to, the in-state solicitation of orders for tangible personal property.

4. The business offers and sells extended warranty plans via its website to in-state customers who purchase business products. Selling, or offering to sell, a service that is not entirely ancillary to the solicitation of orders for tangible personal property, such as an extended warranty plan, defeats the business's P.L. 86-272 immunity—*see* Article I.

5. The business's website invites viewers in a customer's state to apply for non-sales positions with the business. The website enables viewers to fill out and submit an electronic application, as well as to upload a cover letter and resume. This in-state business activity defeats the business's P.L. 86-272 immunity in the customer's state because it does not constitute, and is not entirely ancillary to, the in-state solicitation of orders for tangible personal property.

6. The business places Internet "cookies" onto the computers or other electronic devices of in-state customers. These cookies gather customer search information which will be used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale. This in-state business activity defeats the business's P.L. 86-272 immunity because it does not constitute, and is not entirely ancillary to, the in-state solicitation of orders for tangible personal property.

7. The business places Internet "cookies" onto the computers or other devices of in-state customers. These cookies gather customer information that is only used for purposes entirely ancillary to the solicitation of orders for tangible personal property, such as: to remember items that customers have placed in their shopping cart during a current web session, to store personal information customers have provided to avoid the need for the customers to re-input the

information when they return to the seller's website, and to remind customers what products they have considered during previous sessions. This in-state business activity does not defeat the business's P.L. 86-272 immunity because it is entirely ancillary to the in-state solicitation of orders for tangible personal property.

8. The business remotely fixes products previously purchased by in-state customers from the business by transmitting code or other electronic instructions to those products via the Internet. This in-state business activity defeats the business's P.L. 86-272 immunity because it does not constitute, and is not entirely ancillary to, the in-state solicitation of orders for tangible personal property.

9. The business contracts with a marketplace facilitator that facilitates the sale of the business's products on an on-line marketplace. The marketplace facilitator maintains inventory, including some of the business's products, at fulfillment centers in various states where the business's customers are located. This maintenance of the business's products defeats the business's P.L. 86-272 immunity in those states where the fulfillment centers are located—*see* Article V.

10. The business contracts with in-state customers to stream videos and music to electronic devices for a charge. This in-state business activity defeats the business's P.L. 86-272 immunity because streaming does not constitute the sale of tangible personal property for purposes of P.L. 86-272.

11. The business offers for sale only items of tangible personal property on its website. The website enables customers to search for items, read product descriptions, select items for purchase, choose among delivery options, and pay for the items. (The business does not engage in any in-state business activities that are not described in this example, such as the activities described in examples 2, 3, 4, 5, 6, 8, 9, and 10 above). This business activity does not defeat the business's P.L. 86-272 immunity because the business engages exclusively in in-state activities that either constitute solicitation of orders for tangible personal property or are entirely ancillary to solicitation.

V

INDEPENDENT CONTRACTORS

P.L. 86-272 provides protection to certain in-state activities if conducted by an independent contractor that would not be afforded if performed by the business or its employees or other representatives. Independent contractors may engage in the following limited activities in the state without the business's loss of immunity:

1. Soliciting sales.
2. Making sales.
3. Maintaining an office.

Sales representatives who represent a single principal are not considered to be independent contractors and are subject to the same limitations as those provided under P.L. 86-272 and this Statement.

Maintenance of a stock of goods in the state by the independent contractor under consignment or any other type of arrangement with the business, except for purposes of display and solicitation, ~~shall~~ removes the protection.

Performance of unprotected activities by an independent contractor on behalf of a seller, such as performing warranty work or accepting returns of products, also removes the statutory protection.

VI APPLICATION OF DESTINATION STATE LAW IN CASE OF CONFLICT

When it appears that two or more ~~signatory~~ Supporting States have included or will include the same receipts from a sale in their respective ~~sales~~ receipts factor numerators, at the written request of the business, ~~said~~ these states will ~~in good faith~~ confer with one another in good faith to determine which state should be assigned ~~said~~ the receipts. Such conference ~~shall~~ will identify what law, regulation or written guideline, if any, has been adopted in the destination state ~~of destination~~ with respect to the issue. The ~~state of~~ destination state is the state ~~in~~ ~~shall be~~ ~~that~~ location at which the purchaser or its designee actually receives the property, regardless of f.o.b. point or other conditions of sale.

In determining which state is to receive the assignment of the receipts at issue, preference ~~shall be~~ is given to any clearly applicable law, regulation or written guideline that has been adopted by the ~~state of~~ destination state. However, except in the case of the definition of what constitutes "tangible personal property," ~~this~~ a Supporting State is not required by this Statement to follow any other state's (including the destination state's) law, regulation or written guideline ~~should this state~~ if it determines that to do so (i) would conflict with its own laws, regulations, or written guidelines and (ii) would not clearly reflect the income-producing activity of the business within ~~this state~~ its borders.

Notwithstanding any provision set forth in this Statement to the contrary, ~~as between this state and any other signatory state,~~ each Supporting Sstate will apply the destination state's definition of "tangible personal property" ~~that exists in the state of destination~~ to determine the application of P.L. 86-272 ~~and issues of~~ as it relates to the origin state's throwback rule, if any. ~~Should~~ If the destination state ~~of destination not have any applicable~~ lacks a definition that would enable a determination of whether the sale in question is a sale of ~~such term so that it could be reasonably determined whether the property at issue constitutes~~ "tangible personal property,"; then each ~~signatory~~ state may treat ~~such property~~ the sale in any manner that would clearly reflect the income-producing activity of the business within ~~said state~~ its borders.

VII MISCELLANEOUS PRACTICES

A. APPLICATION OF STATEMENT TO FOREIGN COMMERCE.

Congress explicitly applied P.L. 86-272 only to "interstate commerce." Therefore, by its terms, the statute does not apply to foreign commerce. *See Border Pipe Line Co. v. Fed. Power Commission*, 171 F.2d 149 (D.C. Cir. 1948) (explaining that Congress may choose to protect or regulate interstate but not foreign commerce). States, however, may elect to apply P.L. 86-272 in the context of foreign commerce. If a Supporting State applies P.L. 86-272 in the context of foreign commerce, it will do so consistently whether it is determining if activities of a foreign seller are protected or whether it is determining if sales into the foreign jurisdiction will be thrown back. Those state that have adopted Reg. IV.3.(c) of the Multistate Tax Commission's Allocation and Apportionment Regulators ("Taxable in Another State: When a State Has Jurisdiction to Subject a Taxpayer to a Net Income Tax") apply P.L. 86-272 in the context of foreign commerce.

B. APPLICATION TO CORPORATION INCORPORATED IN STATE OR TO PERSON RESIDENT OR DOMICILED IN STATE.

The protection afforded by P.L. 86-272 and the provisions of this Statement do not apply to ~~any~~ corporation incorporated ~~within this~~ under the laws of the taxing state or to ~~any~~ person who is a resident of or domiciled in ~~this~~ the taxing state.

C. REGISTRATION OR QUALIFICATION TO DO BUSINESS.

Registering or qualifying to do business within ~~this~~ a state will not forfeit the protection that may otherwise apply under P.L. 86-272 in that state. Seeking to use or protect any additional benefit under state law through engaging in other activity not protected under P.L. 86-272 (such as protecting a trade secret or corporate name) , ~~such~~ will forfeit the protection.

D. LOSS OF PROTECTION FOR CONDUCTING UNPROTECTED ACTIVITY DURING PART OF TAX YEAR.

The protection afforded by P.L. 86-272 and the provisions of this Statement ~~shall be~~ are determined on a tax year by tax year basis. Therefore, if at any time during a tax year a business conducts activities that are not protected under P.L. 86-272 or this Statement, ~~no sales in this state or income earned by the company attributed to this state during any part of said tax year shall be protected from taxation under said Public Law or this Statement~~ the business will not be considered protected under P.L. 86-272 for the entirety of that year.

~~APPLICATION OF THE JOYCE RULE.~~

~~In determining whether the activities of any company have been conducted within this state beyond the protection of P.L. 86-272 or paragraph IV.B. of this Statement, the principle established in *Appeal of Joyce, Inc.*, Cal. St. Bd. of Equal. (11/23/66), commonly known as the "Joyce Rule", shall apply. Therefore, only those in-state activities that are conducted by or on behalf of said company shall be considered for this purpose. Activities that are conducted by any other person or business entity, whether or not said person or business entity is affiliated with said company, shall not be considered attributable to said company, unless such other person or business entity was acting in a representative capacity on behalf of said company.~~

**Addendum I:
Public Law 86-272**

••• §381. Imposition of net income tax.

(a) Minimum Standards.

No state or political subdivision thereof, shall have power to impose, for any taxable year ending after September 14, 1959, a net income tax on the income derived within such State by any person from interstate commerce if the only business activities within such State by or on behalf of such person during such taxable year are either, or both, of the following:

- (1) the solicitation of orders by such person, or his representative, in such State for sales of tangible personal property, which orders are sent outside the State for approval or rejection and, if approved, are filled by shipment or delivery from a point outside the State; and
- (2) the solicitation of orders by such person, or his representative, in such State in the name of or for the benefit of a prospective customer of such person, if orders by such customer to such person to enable such customer to fill orders resulting from such solicitation are orders described in paragraph (1).

(b) Domestic corporations; persons domiciled in or residents of a State.

The provisions of subsection (a) of this section shall not apply to the imposition of a net income tax by any State, or political subdivision thereof, with respect to ----

- (1) any corporation which is incorporated under the laws of such State; or
- (2) any individual who, under the laws of such State, is domiciled in, or a resident, of such State.

(c) Sales or solicitation of orders for sales by independent contractors .

For purposes of subsection (a) of this section, a person shall not be considered to have engaged in business activities within a State during any taxable year merely by reason of sales in such State, or the solicitation of orders for sales in such State, of tangible personal property on behalf of such person by one or more independent contractors, or by reason of the maintenance of an office in such State by one or more independent contractors whose activities on behalf of such person in such State consist solely of making sales, or soliciting orders for sales, of tangible personal property.

(d) Definitions.

For purposes of this section ----

- (1) the term "independent contractor" means a commission agent, broker, or other independent contractor who is engaged in selling, or soliciting orders for the sale of, tangible personal property for more than one principle and who holds himself out as such in the regular course of his business activities; and
- (2) the term "representative" does not include an independent contractor.

••• §382. Assessment of net income taxes; limitations; collection.

- (a) No State, or political subdivision thereof, shall have power to assess, after September 14, 1959, any net income tax which was imposed by such State or political subdivision, as the case may be, for any taxable year ending on or before such date, on the income derived within such State by any person from interstate commerce, if the imposition of such tax for a taxable year ending after such date is prohibited by section 381 of this title.
- (b) the provisions of subsection (a) of this section shall not be construed ----
 - (1) to invalidate the collection, on or before September 14, 1959, of any net income tax imposed for a taxable year ending on or before such date, or
 - (2) to prohibit the collection, after September 14, 1959, of any net income tax which was assessed on or before such date for a taxable year ending on or before such date.

••• §383. Definition.

For purpose of this chapter, the term "net income tax" means any tax imposed on, or measured by net income.

••• §384. Separability of provisions.

If any provision of this chapter or the application of such provision to any person or circumstance is held invalid, the remainder of this chapter or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Addendum II
MTC Factor Presence Nexus Standard for Business Activity Taxes